

# National Broadband Plan: The Challenges for South Dakota and rural America



## FCC PRESENTATION

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**OCTOBER 19, 2010**

# South Dakota IS Rural...



- 77,121 square miles (17<sup>th</sup> largest state in nation)
  - ✖ Roughly equivalent to combined land masses of New York, Connecticut, Rhode Island, Massachusetts and New Jersey
- Population: 812,383
  - ✖ Virtually same population as Jacksonville, Florida
  - ✖ 11 South Dakota counties have less than 2 people/sq. mile.
  - ✖ West River Cooperative (Bison, SD)
    - Service area: 6,209 square miles (28% larger than Connecticut)
      - 3,486 lines
      - .56 lines/sq. mile

# ...But Growing



- GDP INCREASED each year 2001-2008
  - ★ South Dakota GDP growth third highest in nation in 2008
- Consistently high national rankings
  - ★ #1 “Environment for Entrepreneurs”
    - Small Business Survival Foundation
  - ★ #1 “Business Climate”
    - Business Facilities magazine
  - ★ #1 “Per Capita State Taxes”
    - U.S. Census Bureau
  - ★ #2 “Technology Counts”
    - Education Week magazine
  - ★ #3 “Top Performing States”
    - United States Chamber of Commerce

In the past, remoteness has been South Dakota's greatest weakness.

Broadband is destroying that remoteness and enabling much of our success.

# In South Dakota, Broadband Matters...•

## • Example #1 – Health Care

- South Dakota has an aging population.

According to 2000 census, people age 65 or older make up more than 20% of population in 1/3 of South Dakota counties; they make up 25% or more in five counties.

Nearly half of South Dakota counties have median age in excess of 40.0 years.

South Dakota projected to have more than 20% of population over age 65 by 2025 (9<sup>th</sup> highest in U.S.)

- Health care delivery and access is critical in rural South Dakota (Baby Everett).

# In South Dakota, Broadband Matters...

## • Baby Everett

Born 12 weeks premature at Avera St. Benedict Hospital in Parkston, SD; family had to drive 25 miles in blizzard to reach the hospital. Transport to nearest NICU in Sioux Falls (nearly 100 miles) impossible. Telemedicine technology provided direct feedback from neonatal specialists in Sioux Falls.

Today, Baby Everett is a happy, healthy 4 year old living in Kaylor, SD (population 64).



# In South Dakota, Broadband Matters...

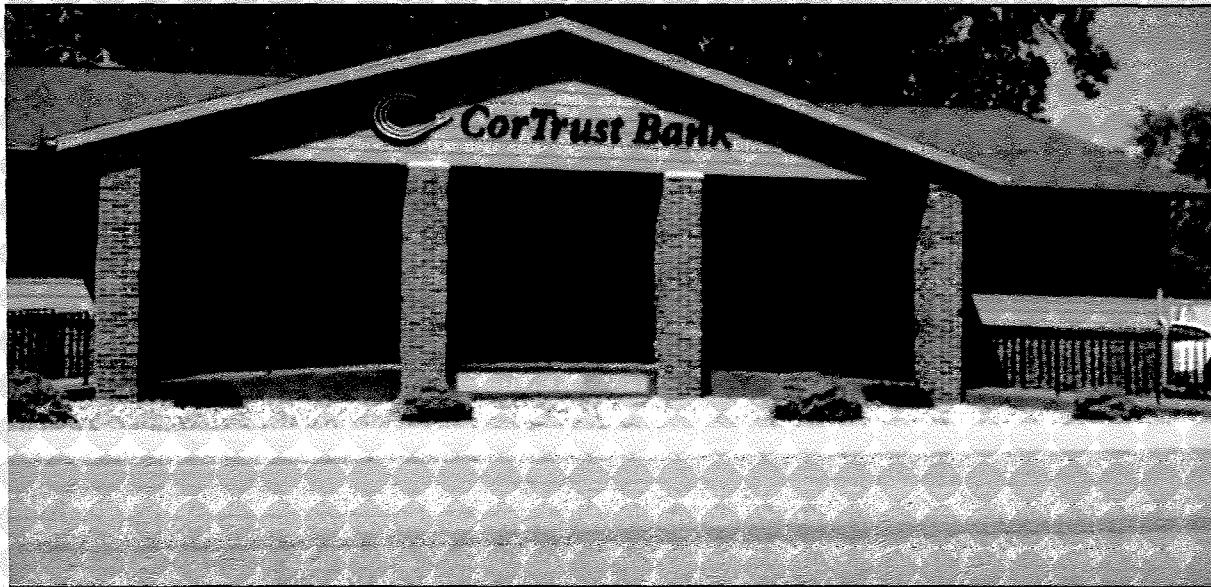
- **Example #2 – Small businesses**

- In South Dakota, GDP is all about small business; 99.9 % of private business establishments are defined as small business (per SBA definition).
- Broadband access has enabled some incredible successes (CorTrust Bank).

# In South Dakota, Broadband Matters...

## • CorTrust Bank

- Started in 1930 in Artesian, SD (current population: 125)
- Has grown to 25 branches in 16 South Dakota communities and 1 in Minnesota
- Current assets: \$609 million
- Customers in most U.S. states and several overseas
- Broadband has allowed this small town bank to stay competitive with larger, urban institutions





**Broadband is vital to South Dakota's continued success.**

The current system has enabled significant development across America.

We have serious concerns about the National Broadband Plan.

# Three Concerns about NBP



1. The “digital divide” (4 Mbps vs 100 Mbps)
2. Insufficient recognition of the differences between large carriers and small rural carriers
3. Reduced cost recovery would prove seriously detrimental to rural providers.

## #1. Digital Divide



- For reasons mentioned by Governor Rounds, broadband is important (and becoming more important to) the success of South Dakota.
- **Bandwidth is not less important to rural areas than it is to urban areas. Indeed, it is more important.**
- 4 Mbps will not be sufficient to allow South Dakota to continue its recent successes.

## #2. Recognition of Rural Differences

- Golden West Telecommunications serves one-third of South Dakota's land mass (which is greater than the land mass of Rhode Island, Connecticut, New Jersey, and New Hampshire *combined*).
- It has only 1.8 subscribers per square mile.
- Designing one model that will work for both a national carrier such as Verizon and Golden West Telecommunications will be an extremely challenging, if not impossible, task.

## #3. Uncertain Cost Recovery

- USF accounts for 24% of South Dakota RLEC revenue.
- Switched and special access, which would also be affected by the NBP, accounts for 42% of South Dakota RLEC revenue.
- As funding is shifted toward larger carriers, and as access is eliminated, what will pick up the slack?

# Another Approach?



- Is comprehensive reform needed? The current system needs to be improved, but has worked.
  - Improvements could be made to:
    1. Funding mechanisms
    2. Allowable expenditures
    3. Contributions by network users
  - Any NBP should include a role for state commissions to ensure that unserved and underserved areas receive access to broadband services. PUCs have experience, expertise, and the first-hand knowledge.

# The Bottom Line



- South Dakota is remote, but in recent years has grown and prospered.
- Broadband infrastructure will be our economic and cultural lifeline for the next decade and beyond.
- Recognition of small companies' role in providing broadband infrastructure and services is critical.
- National Broadband Plan will jeopardize our state's ability to be an integral part of the national and global economy going forward.